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**National Intelligence
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August 27, 1975

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Approved For Release 2006/03/17 : CIA-RDP79T00975A028000010043-3

Approved For Release 2006/03/17 : CIA-RDP79T00975A028000010043-3

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PORUGAL

Portuguese army Chief of Staff Fabiao reportedly has ceased trying to form a new government to replace that of Prime Minister Goncalves.

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A Lisbon newspaper [redacted] reports that Fabiao has given up his efforts. The newspaper account says that further attempts at a compromise may be under way that would assign the task of forming a new government to someone else, possibly navy Chief of Staff Azevedo. He is a close friend of President Costa Gomes and last week gave at least indirect support to Goncalves.

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Goncalves, meanwhile, appears determined to preserve the appearance of an active prime minister presiding over a functioning government. He met with the decolonization commission yesterday morning and later presided over a cabinet

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meeting. A communique after the cabinet session underlined the decision to reorganize certain military bodies, including the Revolutionary Council, which has opposed Goncalves' consolidation of power.

The government communique also stressed the importance of the newly organized united front comprising the Communist Party and seven other left-wing extremist groups as an effective instrument to halt the widespread anti-Communist violence. The front has called for a series of "unity demonstrations" to be held throughout the country in support of Goncalves. The first is scheduled for this evening in Lisbon.

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ARGENTINA

Tension has increased sharply over the issue of army Colonel Vicente Damasco's appointment as interior minister and his principal backer-army commander in chief General Numa Laplane.

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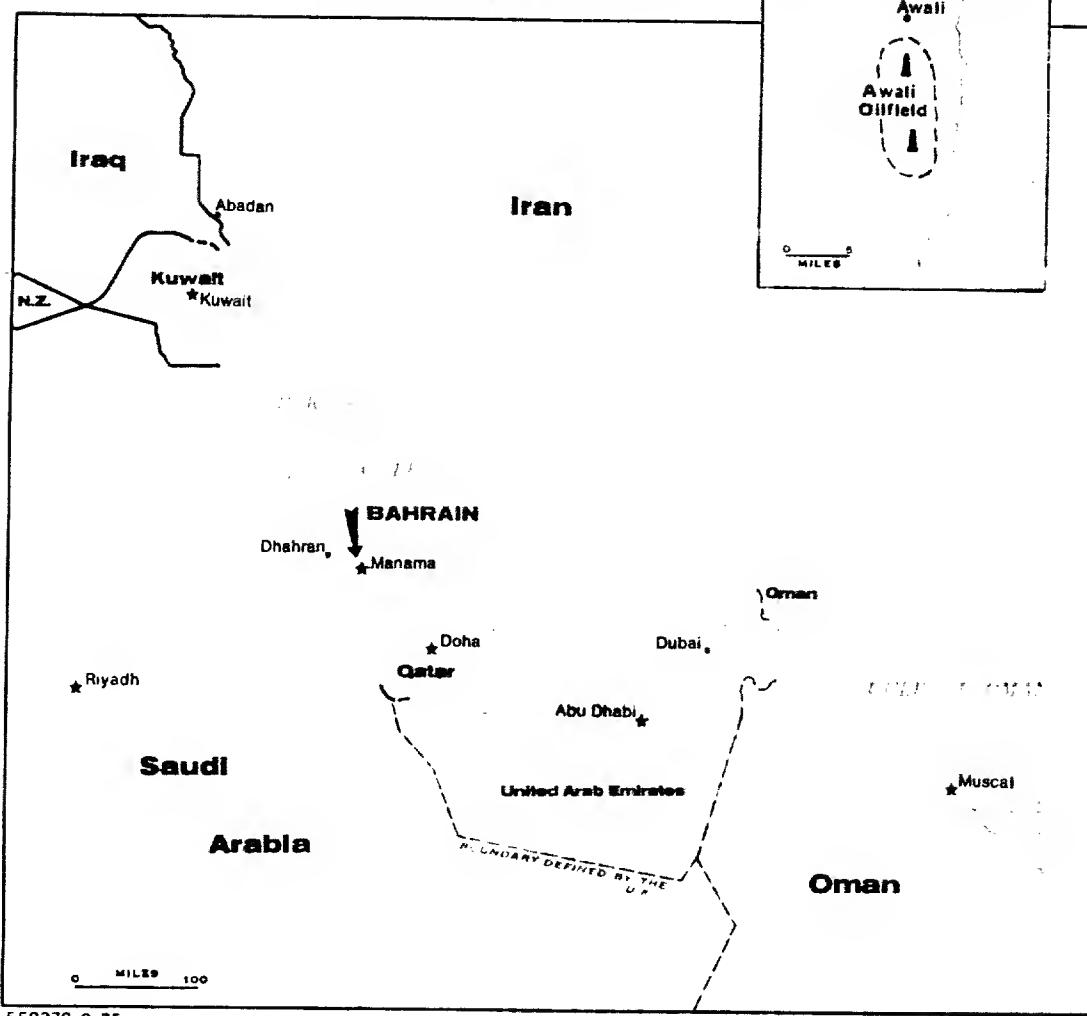
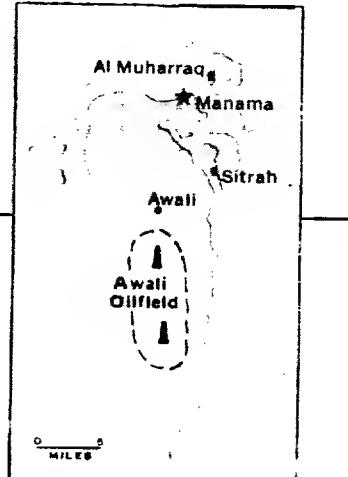
Top army commanders have issued statements demanding Numa Laplane's retirement and Damasco's removal from the cabinet, or at least retirement from active military status. Military leaders resent the prominent role Laplane and Damasco played in selecting the latest cabinet and their failure to consult widely in the process. They believe that Damasco's presence in the cabinet links the armed forces to what they consider a hopelessly inept government.

President Peron yesterday defied the armed forces by rejecting a resignation offered by Numa Laplane. Press reports indicate he has again offered to resign and has proposed First Army corps commander General Caceres as his replacement. The appointment of Caceres, who is not identified with those pressing hardest for Damasco and Numa Laplane to go, would presuppose the retirement of most of the disgruntled generals, who are senior to Caceres. Such a prospect is not likely to be accepted by the military.

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BAHRAIN

Area: 230 sq. miles
 plus group of smaller islands
Population: 237,000
Religion: Muslim
Language: Arabic
Government leader: Emir Isa



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BAHRAIN

The Emir apparently will dissolve the National Assembly within the next few days. The constitution calls for a new national election within two months.

In the interim, the government will probably introduce constitutional changes to bar the re-election of former members of the "People's Bloc" and strengthen the Khalifa family's control of the parliamentary process. The result of these amendments can be expected to limit Arab nationalist participation. While this will ensure that future national assemblies are cooperative, it will also signal a polarization between supporters of the Khalifas and dissidents, who will agitate increasingly for a violent overthrow of the royal family.

Since the first national election in 1973, when 16 dissident Bahrainis were elected to the National Assembly, the royal family has found its previous authority challenged. The dissidents, who made up the "People's Bloc," were successful in turning the assembly into a forum for expanding their influence among the various anti-Khalifa elements of Bahraini society.

As a result of the assembly's intransigence over the government's new security proposal last June, the royal family decided that the body's continuation in its present form presented a threat to the stability of the country. Government counteraction, however, had to be within the limits of Bahrain's constitution. With the resignation of the prime minister, the stage has now been set for restructuring Bahrain's "experiment in democracy."

The royal family has been careful to point out that the assembly had been negligent in addressing vital domestic issues such as housing and food. It has claimed instead that the dissident elements had turned the assembly into a forum for debate, sensationalism, and provocation and had attempted to introduce ideas that were alien to the basic Islamic nature of Bahraini society. The Emir charged the prime minister, who has been reappointed, to submit recommended changes to the constitution. He also called on the government to ensure that Islamic beliefs underlying Bahraini society and culture be strengthened in the future.

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FRANCE-ITALY-PORTUGAL

French and Italian Communists have responded hesitantly to Portuguese Socialist leader Soares' call for a conference of southern European Socialist and Communist parties to discuss Portugal.

French Socialist leader Mitterrand and his Italian counterpart, De Martino, reacted quickly and positively to Soares' request. Communist leaders in the two countries, however, appear caught between their desire to be forthcoming for public consumption at home and their reluctance to get involved in what appears to be an attempt by Soares to use them to bring pressure on the Portuguese Communist Party to adopt a more cooperative line.

The Communist parties of all three countries invited to attend—France, Spain, and Italy—have sought, to one degree or another, alliances with democratic parties to open the path to power. The parties in Italy and Spain, in particular, have been critical of the Portuguese Communists' cavalier attitude toward democratic procedures and adoption of more traditional revolutionary tactics.

In an obvious stalling tactic, French Communist Party leader George Marchais argued in his reply last week that solidarity of the left in Western Europe is too important for such a meeting to be restricted to Portugal, France, Italy, and Spain, and suggested other European parties be invited as well. He probably hopes that at worst the difficulty of organizing such a meeting will delay it until the situation in Portugal is more settled, or at best that the proposal will be forgotten entirely. Marchais realizes that on most issues his party would be in agreement only with the Portuguese Communists—should they attend, which is doubtful—and does not want to make his party's isolation even more apparent to the French electorate.

The events in Portugal have provoked a quarrel, widely reported in the press, between the French Communists and Socialists, in which Marchais has come off second best. His image as the more doctrinaire, inflexible, and less democratic leader has been reinforced. His rival, Socialist Party secretary Francois Mitterrand, has gained by appearing to be a traditional social democrat who knows the limitations of his alliance with the Communists and can stand up to their ideological assaults.

[redacted] the implications for the Communist image in France of the quarrel with the Socialists are now of major concern to the French party's leaders, who hope to be able to mute the disagreement. This will be difficult, however, because the Portuguese issues touch sensitive nerves in the party that are already irritated by internal debate over the value of continued cooperation with the French Socialists.

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Mitterrand reportedly will be meeting within the next two weeks with Socialist leaders Harold Wilson, Willy Brandt, and Swedish Prime Minister Palme to discuss aid to Portugal.

The Italian Communists also responded cautiously to Soares' proposal. They made a statement approving in principle understandings between West European Communists and Socialists so long as they have been adequately prepared. This circumspection seems to reflect the party's desire to play along, while avoiding polemical exchanges with the Soviets. In recent weeks, the Italian Communists seemed to be backing away from their earlier open criticism of the Portuguese Communists' strong-arm tactics.

The Italian Socialists, on the other hand, reacted enthusiastically to Soares' proposal and expressed satisfaction with the Italian Communists' equivocal support. The Socialists are trying to give the impression that they lead the left, in part by avoiding open differences with the Communists. The Socialists also welcomed Soares' proposal as a vindication of their joint communique with the Communists in mid-August, which called for a political agreement between Portuguese "democratic" parties and the Armed Forces Movement. The Socialists drew strong domestic criticism for that act of "neo-frontism" with the Communists.

The Spanish parties have yet to respond to Soares' invitation.

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GREECE

Athens has not as yet officially made known its intentions regarding its future role in NATO, but the Greeks appear more favorably disposed to the alliance than at any time since the Turkish invasion of Cyprus.

Most Greek armed forces officers believe their military withdrawal from the alliance was a mistake, and Prime Minister Karamanlis may now feel that sentiment against the US and NATO has reached a low enough ebb to allow a slow return to the alliance's integrated military command. Athens, moreover, is looking more toward Western Europe both for military and economic assistance, for which improved relations with NATO would be beneficial. A solution to the Cyprus problem, however, will be a likely prerequisite for returning to full participation in NATO.

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ANNEX

US Arms Inventory in Vietnam

In their sudden victory over South Vietnam last spring, Hanoi's forces captured large amounts of US-made military equipment, ranging from small arms to modern attack aircraft—in fact, every type of equipment the US had provided the South Vietnamese forces during the war. Much of this hardware is intact and operable, and there are large quantities of munitions for the weapons.

As a consequence, the communists have a problem deciding what equipment to integrate into their own forces to strengthen existing capabilities and to provide new capabilities, and also what to do with any surplus hardware. One of the options open to Hanoi is that of providing arms to insurgents—a possibility that is causing considerable concern in several nearby countries, notably Thailand and Malaysia. Thai insurgents in the northeast, for example, have received aid from Hanoi in the past, and the North Vietnamese could increase that support now that they have more than sufficient stocks.

Hanoi could earn hard currency by selling the US equipment on the world market. The communists face major economic development costs in both North and South Vietnam and need foreign exchange for this. Hanoi claims that the equipment is worth about \$5 billion; this appears reasonable. The windfall profits the communists could realize from the sale of a substantial part of this US hardware would be considerable and would obviously ease the financial burden of development. A number of countries in Southeast Asia, the Middle East, and Africa reportedly are interested in obtaining the US equipment. There is, however, still no indication that Hanoi has decided to sell.

Aircraft

US-made aircraft constitute the most valuable items of captured military hardware. The communists seized some 1,100 aircraft, including 75 F-5 and 113 A-37 fighter-bombers, and the North Vietnamese apparently are integrating some of these into their forces.

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The US-made fighter-bombers give the North Vietnamese a significant ground attack capability for the first time. Until now, the North Vietnamese air force had a clearly defensive orientation.

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There is a shortage of some spare parts for the US aircraft, but the problem does not seem to be insurmountable over the near term. The communists can cannibalize other aircraft and may be able to find a source of replacement parts on the international market. There are enough US-trained South Vietnamese maintenance personnel available to repair and keep the aircraft operational if spare parts can be obtained.

In addition to the fighter-bombers, the communists seized large numbers of helicopters. Among these were about three dozen large transport helicopters, and

as many as 400 smaller combat-support helicopters, including gunships, fell into communists' hands.

the North Vietnamese appreciate their mobility and firepower and probably will keep some for their own forces; many, however, could still be available for sale.

The communists also captured approximately 50 transports, including C-119s and C-130s. These aircraft enhance their transportation capabilities, and for this reason some of them probably will be retained. Moreover, the transports could be used commercially to earn hard currency and win increased international prestige by carrying the flag abroad.

The North Vietnamese got significant quantities of communications and radar equipment, including relatively sophisticated items such as navigational equipment that permits all-weather operations from airfields in the South. This and other electronic hardware is difficult to maintain, and the communists will have difficulty in obtaining the spare parts to keep the equipment operating effectively for very long. The communists do not, however, need this gear to conduct air operations during good weather. Most air bases in the South are modern and in good condition. Moreover, the ground support equipment at the bases is adequate to support US-made aircraft. Some of this captured sophisticated electronic gear may well be passed along to the Soviets and the Chinese.

Naval Craft

With the take-over, the communists came into possession of some 400 naval craft and approximately the same number of transport vessels.

The naval craft are mostly coastal and river patrol boats, along with a few deepwater ships. While these craft provide the communists with an improved patrol capability, they do not appear necessary and may well become available for export.

communists are likely to retain most of these vessels for their own use.

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Ground Forces Weapons

The bulk of the US equipment captured in the South consists of ground forces weapons and munitions. The inventory contains over 500 tanks, approximately 1,200 armored personnel carriers, about 45,000 trucks and jeeps, some 1,300 pieces of artillery, nearly 1 million M-16 rifles and other small arms, and thousands of mortars, antitank weapons, grenade launchers, and machine guns. In addition, there are large stocks of munitions for all of the weapons.

Much of this equipment appears to be surplus to communist requirements. The North Vietnamese army is already well equipped with Soviet and Chinese hardware, and their stockpiles declined little as a result of the spring fighting.

Moreover, the North Vietnamese have been attempting to standardize their weapons throughout the regular forces, and they probably would be reluctant to change unless they gained a significant improvement in the process. In most cases, changing to US weapons would provide little if any improvement. The communist AK-47 infantry rifle, for example, is considered an effective weapon.

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[REDACTED] Since most of the US equipment is readily marketable, it seems likely that Hanoi will eventually dispose most of the armor and other ground forces equipment.

Serious questions of economic advantage, political impact, and international reputation must, however, be decided before Hanoi begins disposing of its captured arms stockpile. [REDACTED]

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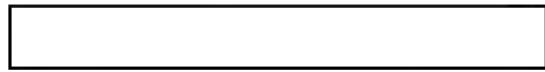
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